

## **IRS TAX TIP 2002-22**

### **RATE REDUCTION CREDIT AND REBATE**

The IRS says there's a new line on the federal income tax form this year, but many people won't have to use it. This line – line 47 on the Form 1040, line 30 on the 1040A and line 7 on the 1040 EZ – is for the Rate Reduction Credit.

Use this line to claim any additional amount you qualify for if you did not receive last summer's Advance Payment (sometimes called the "rebate") in the maximum amount for your filing status. The maximum amounts are:

- \$300 for a single person or a married person filing separately
- \$500 for a head of household
- \$600 for a married couple filing jointly or a qualifying widow(er)

You should also use this line if you never received your Advance Payment because it was returned as undeliverable, or it was lost or stolen, and the Treasury did not issue you a replacement by the end of December 2001.

If your Advance Payment was reduced or entirely offset by outstanding government debts, such as back taxes or a student loan, do not claim the Rate Reduction Credit for any amount so withheld – you already received the benefit of the Advance Payment when it was used to pay your debts.

If you already received the maximum amount of Advance Payment for your filing status, just skip the Rate Reduction Credit line on your tax form. If you are not due a Rate Reduction Credit but you enter an amount on the line instead of leaving it blank, this will cause a delay in processing your return.

The IRS mailed each taxpayer a notice with the advance payment amount before sending the check. If you are unsure how much your advance payment was and you cannot locate that notice, call the IRS TeleTax system toll-free at 1-800-829-4477 to check on the amount.

The credit and the Advance Payments are how the new tax law gives one of its main benefits for 2001 – a 10 percent tax rate. Instead of having people wait until they filed their tax returns to get a larger refund, the law provided for Advance Payments to be made last year, based on a person's 2000 tax return. If the 2001 income and filing status would give a larger benefit than the Advance Payment, the taxpayer may claim the difference as a Rate Reduction Credit on the 2001 return.

Dependents were not eligible for Advance Payments or the Rate Reduction Credits, but they may get the benefit of the lower tax rate by completing the "Tax Computation Worksheet for Certain Dependents" in the tax instructions.

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If you made an error related to this credit on your return, wait to see if the IRS catches it during processing. If the IRS does not contact you by the time you receive your refund, file an amended return to correct the error.

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